INSTITUTE FOR GAMBLING REGULATION

NEWSLETTER

august/20

WHAT'S UP IN THE INSTITUTE

ANOTHER MEETING OF IFGR MEMBERS WILL TAKE PLACE IN SEPTEMBER

Highlight **23 September 2020** in your calendars as it is the day when another meeting of our members will take place. The meeting is planned for the afternoon from **1 pm to 5 pm**, traditionally in the **Prague StartUp Centre** in the Prague Holešovice Market. The main topics will be:

- Impacts of the **launch of The Register of Excluded Persons and self-restricting measures on live game** after 20 December 2020 (to basic licences and operating practices)
- Upcoming **amendment to the AML Act and the Gambling Act**
- **"Gambling in A Better Light"** - a social comparison with other addictive goods
- Outcomes from current checks of the Customs Administration
- Technical equipment failures and their notification to the Customs Administration
- Gambling Advertising Code

We would like you to send us your own topics that you would like to discuss at the meeting. We ask for your suggestions by **14 August 2020**.

EVENTS IN THE CZECH REPUBLIC

CORONAVIRUS MEASURES REINTRODUCED

As soon as we though that the worst situation and restrictions were fortunately behind us, the nationwide epidemiological situation has worsened in recent days. Representatives of our country responded to it by reintroducing certain hygienic measures (especially wearing masks at indoor public events and limiting the number of people who can participate in such events). Fortunately, for the time being, these measures are less limiting than the complete closure of operations, which we believe will no longer be on the agenda. The measures were reintroduced at the last minute. From Saturday midnight (25 July 2020), the obligation to wear masks at indoor mass events of more than 100 people was renewed. Also, events with more than 1,000 participants at once were banned. From Monday midnight (27 July 2020), this number was further reduced, that is for indoor mass events. At present, therefore, mass events (such as card tournaments or social events in a casino) can be attended by the following numbers of people:

- **indoor events with participation not exceeding 500 people at once**
- **outdoor events with participation not exceeding 1,000 people at once**

At the same time, the Minister of Health stated that the obligation to wear masks, on the other hand, does not apply to regular visits to bars and restaurants, department stores, offices and similar premises in which the above-mentioned or even larger number of persons gathers. Similarly, this measure should not apply to regular visits to gambling premises. Also, on Monday, the Minister presented the previously announced, so-called traffic light, which divided the country into four categories (according to colours) according to the measures always valid in the area. You can see what it looks like here. The situation remains very volatile, which is why it is important to monitor regional measures as well, as regional hygienic stations can further tighten the national measures. You can find the text here.

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AMENDMENT TO THE AML ACT AND GAMBLING ACT PASSED THE FIRST READING

After a short pause, we return to the amendments to the AML Act and the Gambling Act (GA). This time, we are bringing news from the Chamber of Deputies (CHoD), where the bill is registered as Parliamentary Press No. 909. **For the time being, the Chamber has only discussed the Act in the first reading and ordered its discussion to the Budget Committee.** The bill has not yet been discussed there, and further discussion can be expected only after the summer break of the CHoD on 6 September 2020. Any amendments will be read only before or directly at the meeting of the Committee. Member of Parliament Jan Volný was elected Reporter of the Act. **The GA amendment is still subject to the notification process at the European Commission, which will not be completed until 9 October 2020**. During the process, the GA amendment should not be approved by the Chamber. We are currently working on preparing an analysis of key changes. We will send you the resulting material during the month of August.

THE CHAIRMAN OF OPC CONFIRMED THE FINE FOR THE STATUTORY CITY OF BRNO

The chairman of the Office for the Protection of Competition (OPC) Petr Rafaj **confirmed the imposition of a fine in the amount of CZK 828,000 on the statutory city of Brno for failing to permit operation of one of competitors in the field of gambling, in violation of its own rules**.

Already in 2017, the City of Brno adopted the *"Rules of the Statutory City of Brno for the specification of locations that can be included among places where gambling may be permitted"* (hereinafter the Rules), which contain conditions for including an address in the generally binding decree regulating operation of gambling. The establishment of FORBES Casino, a.s. complied with these Rules, and therefore applied to the City of Brno for inclusion in the generally binding decree. Although this application was submitted on time, the City of Brno did not amend the generally binding decree and did not include the establishment among the permitted places as of 1 January 2018. The establishment was included in the decree only on 22 September 2018. **The City of Brno did not provide the Office with any objective reasons for why it acted in violation of its own Rules and prevented the said competitor from entering the market.** According to the OPC, the city of Brno therefore distorted competition by acting in violation of the Act on the Protection of Competition, which prohibits public authorities from discriminating against certain competitors.

In the appeal proceedings, the Chairman of the Office **rejected** mainly the **objection of the City of Brno that FORBES Casino, a.s. is not a competitor in the City of Brno** on the grounds that FORBES Casino, a.s. belongs to the business group operating in the field of gambling and has the necessary licences. Furthermore, the objection of the City of Brno regarding the essentially unlimited power of municipalities to issue generally binding decrees was rejected. According to the Chairman, this authorization also has its limits in the form of a hierarchy of legal regulations, where decrees must be issued in accordance with the law, i.e. the Act on the Protection of Competition, which protects the interest in maintaining undistorted competition. If you want to read the decision of the Office, you can do so here.

AMENDMENT TO THE AML ACT AND GAMBLING ACT PASSED THE FIRST READING

IFGR is the official comment place of the Financial Analytical Office (FAO), which is currently conducting another round of national risk assessment in the field of gambling, in which the Institute was therefore involved. At the beginning of July, a draft chapter on **threats of money laundering in gambling was sent to the IFGR**. As this is a private consultation, we cannot provide more information. IFGR read through the part concerning the operation of gambling in the material and commented on **several fundamental topics concerning, among other things, the topping up of online user accounts and the withdrawal of funds from them by persons other than the player**. Representatives of the FAO thanked the Institute by telephone for the expert consultation and for the time being unofficially implied that, based on the IFGR's comments, they are likely to reclassify the risks associated with money laundering in the area of gambling from medium to low in some areas. This information will be confirmed to the IFGR officially. As soon as this happens, we will be able to inform you in more detail.

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GROUP OF DEPUTIES FILLED A MOTION TO REPEAL TAXATION TO THE CONSTITUTIONAL COURT

On 8 July 2020, a group of 41 deputies filed a motion to the Constitutional Court to repeal the tax package (Act No. 364/2019 Coll.) due to procedural defects in the adoption of acts in this package as well as violation of the constitutional order. From our point of view, these will be mainly provisions concerning the **taxation of players' winnings over CZK 1 million from lotteries and raffles and an increase in the gambling tax on lotteries**.

The petitioners argue that an **unjustified inequality is created in the taxation of income - winnings from gambling to the detriment of lotteries** and raffles, when in the case of income from these gambling games, the entire income from each win over CZK 1 million is taxed once, while in the case of all other gambling games, deposits in these games can be deducted from the tax base within the annual tax period. **According to the petitioners**, this double regime of taxation of winnings from gambling games **unacceptably burdens the winner of lottery and raffle compared to the winner of another gambling game**, even though these players (live game or fixed-odds betting) might win millions.

In the case of the lottery tax, the petitioners criticize the amount of the rate itself, which was increased by 52% from the original 23% to 35%. **And they claim that this change does not take into account the cost or risk of this gambling game, does not maintain the principle of proportionality and that the tax rate was adopted without legitimate reasons**. These arguments are nothing new to the public, as they were heard in the Czech media last year during the discussion of this act, especially from the largest lottery company in the Czech Republic. The whole proposal can be viewed here.

ANNUAL 2019 REPORT ON GAMBLING HAS BEEN PUBLISHED

For the sixth time, the National Monitoring Centre for Drugs and Addictions (NMC) has published its annual report monitoring the development of gambling in numbers. You can download the annual report here. IFGR was provided with this report for comments prior to its official publication. Of course, the Institute cannot interfere with the results of the NMC research, but nevertheless made several comments, especially on the misleading text of the report. The comments of the IFGR were reflected in the final text, therefore contributing to the elimination of some misleading or easily misused claims by the media regarding the situation on the gambling market.

The following information could be considered interesting:

- Although the NMC itself is aware that the increase in deposited funds by 55% compared to 2018 to a total of CZK 389 billion may be due to a change in the methodology of calculating financial management, it continues to state this information in its report. Unfortunately, the media blindly use this information, but without giving its justification.
- According to the report, gambling establishments are still the largest source of income for gambling operators. They make up over 40% of the gambling market, although their number has fallen sharply. While nine years ago, there were 8,367 casinos, there were only 1,162 casinos at the end of last year.
- The number of casinos, which was 580 last year, has the opposite trend than that of casinos. There were 32 more during the year.
- Last year, 55 companies had a licence to operate gambling games.
- Last year, the country collected CZK 10.1 billion in gambling tax, which is CZK 400 million more than in 2018. Technical games have the highest share, accounting for CZK 6 billion in the total levy.

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NEWS FROM ABROAD

Slovakia

SLOVAK REPORTING DECREE HAS ITS COMMENTS

On 27 July 2020, the interdepartmental comment procedure **like the Reporting Decree we know from the Czech Republic** was completed. More detailed information on the comments, including the text of the decree itself, can be found here. It can be stated that this decree is remarkably like the Czech one. Although it is more than obvious where the Slovak Ministry of Finance looked for inspiration, we can find several differences:

- The range of data provided does not seem so wide.
- The data format is XML compared to the CSV format in the Czech Decree.
- The data package must be sent once every 24 hours; however, there is a clause stating that the periodicity will be gradually shortened, of which the Office will inform on its website
- The deadline for correcting formal errors is 7 days compared to 2 days in the Czech Republic.
- The deadline for correcting an error in the data is 30 days compared to 14 days in the Czech Republic.
- The Decree is not divided into two parts, because the Reporting Decree (the so-called Big Model for live game and bingo land-based) contains 22 data packages The Decree contains two annexes, the first of which deals with the scope of the data and the second with detailed specific requirements. **Most of the provisions of the Decree should enter into force on 1 January 2021**, with the exception of Section 3, which concerns the registration of an operator in the system, which will enter into force one month earlier, i.e. 1 December 2020. Registration will take place in a similar way as in the Czech Republic.

GREAT BRITAIN

ENGLAND REOPENED CASINOS

After four long months, casino operators in England have finally reopened. Prime Minister Boris Johnson announced on Friday, 17 July 2020, that the **casinos will be included among the businesses that can reopen on 1 August**. Casinos was the only part of the British gambling industry to be excluded from a possible opening on 4 July, with which was the Betting and Gaming Council (BGC) business group very displeased and called the decision “inconsistent and meaningless”. Perhaps the dark period is ending for casino operators, as well as for their 12,000 employees.

By contrast, casino operators in **Scotland and Wales continue to face uncertainty, as Prime Minister Johnson’s statement has no effect on these areas**. BGC therefore called on the governments of Holyrod and Cardiff to follow it and allow casinos to operate in Scotland and Wales as well. At the same time, BGC warned that 2,000 jobs would be at risk if casinos in Scotland and Wales stay closed.

GAMBLEAWARE LAUNCHES NEW CAMPAIGNS

The British charity GambleAware has brought back several of its projects aimed at safer gambling. **The “Bet Regret” TV commercial series is designed to make players aware of the risks of impulsive betting**. The commercials are designed to run with the relaunched Premier League, which is currently frequently watched. In addition to the TV spots, GambleAware will also run new radio, digital and newspaper ads designed to raise awareness of the National Gambling Treatment Service. **The “Start Regaining Control” campaign targets men aged 25-54 and is designed to raise awareness of treatment options.**

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ITALY

GROSS EARNINGS OF BETTING OFFICES IN THE ITALIAN MARKET IS SLOWLY RETURNING TO THE ORIGINAL FIGURES

In June, total gross earnings from sports betting from online and land-based operations was € 73.6 million, more than double of those in May - € 35.4 million, and is in line with earnings from March, when the pandemic restrictions slowly came into force. As land-based establishments were not opened until mid-June, most of the earnings comes from the Internet, namely € 62.7 million. In connection with the resumption of sports events, gross earnings from online casinos decreased from EUR 105.51 million in May to EUR 98.66 million.

SPAIN

THE SPANISH ONLINE MARKET GROWS SIGNIFICANTLY

The Spanish market achieved impressive results in the first quarter, despite the closure of sporting events in mid-March, which affected negatively betting activity at the end of the period. Casinos, poker and, until March, sports betting were successful. The time of closure of land-based establishments was positively reflected in the rapid increase in the number of online registrations of new players. **The absolute highest number of 338,032 new registrations was recorded in March.** Overall, the number of new players increased by 5.6% year-on-year and by 2.6% quarter-on-quarter in the first quarter.

GERMANY

EGBA CRITIZES THE UPCOMING GERMAN REGULATION OF ONLINE GAMBLING

Maarten Haijer, Secretary General of the European Gaming and Betting Association (EGBA), has criticized Germany's planned regulation of online gambling. In his opinion, it is **so strict that it will not be appealing enough to attract players to legal operators**. Germany's starting position is exceedingly difficult. As early as 2017, the Düsseldorf Competition Institute (DICE) predicted that only 1.8% of online gambling games in Germany took place on licenced websites. By comparison, in the United Kingdom, it was 95% and, for example, 90 % in Denmark. Although attractiveness to players is important, Haijer **sees the biggest problem in leaving the federal states the ability to set their own rules for online casino games, creating an inconsistently regulated environment**. In conclusion, Haijer stated that the history of gambling regulations in Europe **has shown three "ingredients" that lead to successfully set regulation**: i. the choice of players between legal and illegal offers, ii. a clear, transparent, and predictable licencing process that ensures enough operators, and iii. operators must be able to make a profit on the legal market.

UKRAINE

UKRAINIAN PARLIAMENT APPROVED THE ACT ON THE LEGALIZATION OF GAMBLING GAMES

The Ukrainian parliament, in the ratio of 248 to 95, approved in the second reading the bill that will regulate land-based and online gambling in the country in the future. As we informed you in the past, Oleg Marusyak introduced in October 2019 the bill in parliament as one of six alternatives to the reforms presented by the government. Although the bill did not pass the first reading in December (e.g. raising the age limit to 21), it succeeded in a further vote after several amendments in January 2020. **The Act introduces a complete regulation of the gambling market (online gambling, fixed-odds betting and land-based casinos) in Ukraine, with the proviso that casinos can only be operated in hotels.** Licences will take two forms, that is for the online and land-based operation.

According to the latest published version of the bill, approved by the Committee on Finance, Taxation and Customs Policy for a second reading, the **fee for the online gambling licence was set at UAH 30.7 million** (Ukrainian hryvnia), equivalent to USD 1.1 million, and is payable whenever the licence is renewed, i.e. every five years. A licence **fee of UAH 70.8 million (USD 2.55 million) was set for fixed-odds betting as well as for casinos located in hotels outside the capital**. A casino fee of 121.6 million UAH (4.4 million USD) was set for casinos located in the capital city of Kiev.

This version of the bill also sets restrictions on the origin and ownership of companies in the market. It specifically stipulates that **all slot machine operators and suppliers *"shall not be controlled by the inhabitants of an occupying State or by an aggressor in relation to Ukraine"***. It is more than obvious that this restriction is aimed at Russian companies, but it also applies, for example, to companies run by Russian directors, and it can be assumed that these restrictions only apply to land-based and not online environments.

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